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More Governments Moving to Integrated Paid Time Off

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A new survey from the International Public Management Association for Human Resources (IPMA-HR) and Fox Lawson & Associates, a division of Gallagher Benefit Services, finds that more governments will move to integrated paid time off (PTO) programs in the future.

With responses from 458 IPMA-HR members who work for municipalities, towns, cities, counties, states, special districts, universities and colleges, school districts, and federal agencies across the country, the survey found that:

- Twenty-six percent of the total number of reporting organizations have combined PTO programs
- Cities and counties have the highest percentage of PTO programs offered, at 34 and 38 percent, respectively
- No federal agency reported offering PTO.

The chief reasons the jurisdictions cited for instituting PTO programs included:

- Providing more flexibility for employees (55 percent)
- Reducing unscheduled absenteeism (39 percent)
- Staying competitive with the market (37 percent)
- Reducing administrative burdens (35 percent).

The organizations that have instituted PTO programs noted a number of benefits, including

- Improved morale (50 percent)
- A reduction in administrative burdens (47 percent)
- Reduced absenteeism (33 percent)
- Cost savings (26 percent).



Most PTO programs are long standing: 60 percent have been in place for more than 10 years and 76 percent have been in place for five or more years.

Interviews with three jurisdictions that have PTO programs bear out the survey findings on the positives of PTO, but they also reveal downsides that should be taken into consideration by any organization considering such a program.

City of Hays, Kansas

Hays (Toby Dougherty, city manager), has had a PTO program in place since 2006. Human Resources Coordinator Erin Niehaus said one of the main reasons the city converted was to consolidate many categories of leave (vacation, sick, funeral, comp time, etc.) into one.

"Some employees who never got sick felt they weren't getting to use their sick leave and tapped out their accumulation," says Niehaus. "Some would say they were sick when they weren't, just to use their leave."

During the conversion process, employees' vacation leave was transferred into PTO. The city paid employees a percentage of their sick leave, depending on how many years of service they had. A few employees who had 30-plus years of service were allowed to bank their sick leave.

Niehaus says at first employees were concerned that if they became seriously ill, they'd have no sick leave coverage during the six-month waiting period required by Kansas Public Employees Retirement System disability. In response, the city bought short-term disability coverage for all employees.

One veteran employee who has rarely used sick leave told Niehaus, "I love PTO. Now I'm not wasting sick leave and I can use my leave for something fun."

The benefit, however, has a drawback for the city: If people aren't sick very often, they have more leave to use and may be gone more than before.

Niehaus notes that they still keep track of scheduled and unscheduled leave to make sure there are no abuses.

City of Hailey, Idaho

Hailey City Administrator Heather Dawson says the city converted to a PTO program in 2005 based on the results of an employee survey, which found that:

- 40 percent of employees rarely used sick leave, so it was a lost benefit for them
- 40 percent used sick leave as they accumulated it for a variety of reasons; i.e., sick children, family needs, etc.
- 20 percent used sick leave appropriately (only when they were sick).

The city did not want to have to ask employees intrusive questions about their health or reasons for using leave, so it developed a conversion policy for the new plan. Employees could convert all, some,

or none of their leave to the new PTO schedule, at a three to one ratio. They could also bank time to use as FMLA leave for their own health issues only.

The city had had different schedules for vacation and sick leave accrual. It decided on a new accrual schedule that was at the low end of the two combined.

"People love it," Dawson says. "It's easier to administer and more fair for employees."

Employees still have to give adequate notice to their supervisors, who have authority to approve the leave or not.

The downsides?

"As the city staff has grown smaller over the last three or four years, it's a little more difficult for management to accommodate employees' leave requests," Dawson says. "We feel employees' absences more because the staff is smaller."

She adds that although the accrual schedule is fair for employees, the city should evaluate whether it's still fair to the employer under new budget.

City of Lynchburg, Virginia

Lynchburg (Kimball Payne, III, city manager) converted only its part-time employees to PTO in 2008.

HR Director Margaret Schmitt explains that two or three years ago, the city decided to consolidate position categories, which had grown in number over the years. They settled on three categories -- temporary, part-time, and full-time -- and then examined leave benefits.

City staff had discussed transitioning to a paid time off bank, an idea they proposed to an employee committee. After research and discussion, they decided to try a pilot PTO program for part-time employees (for whom paid leave previously had been their only benefit) to see how it was received, and then determine if it was worth the difficulty they anticipated if they included full-time employees in the program.

Departments first had to decide which positions to classify as part-time versus temporary (which were ineligible for PTO). Many individuals who previously had been ineligible for paid leave were now eligible, which was a positive change for them. But part-time employees who'd received the benefit all along saw it as a significant loss.

This was a good preview of the types of challenges the city would face in introducing PTO within its full-time workforce. Because the city offers such a wide array of paid leave, Schmitt says they couldn't make a one-to-one transition.

"Our full-time workforce couldn't perceive it as anything but a loss," she says. "Employees would gain flexibility over their time off, but they'd have to lose something."

"We decided we didn't want to fight that battle at this time," she adds. "It's our employees' fourth year of no pay increases. To erode employee compensation more is not something we want to do now."

Schmitt admits that the city has "taken some grief from longer term, part-time employees, who felt a large sense of loss. People didn't resign, they were just dissatisfied."

She says the dissatisfaction dissipated after six months. The city transitioned into the new system, giving employees plenty of time to use their leave before it went into effect.

Schmitt notes that one downside in the design of the policy was that part-time employees who work as few as nine hours per week now earn leave. "In some ways that's not especially reasonable," she says. "People working that little don't need leave. And it will ultimately cost us in a payout when they leave."

She also says that departments were a little too generous in classifying employees as part-time.

"It sounded good at first but we're finding that operationally it's a bit harder. The workforce in our museums and libraries are mostly part-time. We have scheduling challenges in trying to accommodate paid leave and having to pay someone else to work additional hours. Departments might not make as many people part-time today."

To see the entire IPMA-HR survey, click [here](#). You can also find examples of PTO policies in the ICMA Knowledge Network.

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